BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2013-430-E – ORDER NO. 2014-118

JANUARY 16, 2014

IN RE:	Duke Energy Carolinas, LLC – Request for "Like Facility" Determination Pursuant to S.C. Code Ann. § 58-33-110(1)	) DECLARATORY ORDER) ON STATUS OF) CONVERSION AND) REPOWERING THE 170) MW LEE UNIT 3 FROM) COAL TO NATURAL) GAS

This matter comes before the Public Service Commission of South Carolina ("Commission") on the request of Duke Energy Carolinas, LLC ("Duke") for an Order from this Commission declaring the status of the planned conversion and repowering of Unit 3 of the Lee Steam Station ("Lee") in Anderson County, South Carolina from burning coal to burning natural gas does not require a Commission-issued Certificate of Environmental Compatibility and Public Convenience and Necessity as a matter of law, pursuant to S.C. Code Ann. § 58-33-110(1). The statute provides that the replacement of an existing facility with a like facility shall not constitute construction of a major utility facility. We find that the planned conversion and repowering meets this standard under South Carolina law.

Duke operates three coal fired units at Lee. Units 1 and 2 net 100 MW each, and Unit 3 nets 170 MW, for a total net generating capacity of 370 MW. It is Duke's only coal-fired generation plant in South Carolina. Lee is scheduled to be retired from active service by April 2015.

Duke's 2012 and 2013 Integrated Resource Plans have identified conversion and repowering of Lee Unit 3 as a cost-effective and necessary source of peaking capacity. Once converted to natural gas fuel, Lee Unit 3 will bear the same capacity rating of 170 MW and should operate with a slightly higher heat rate. Due to the addition of more cooling towers, the station should not be thermally de-rated at any time in the summer or winter.

The Lee units were originally designed and operated with gas-fired boilers. The boilers were converted during the 1970s to operate on coal, and the units remain permitted to also burn natural gas.

All changes to the current infrastructure needed to facilitate the conversion will occur inside the plant fence. The conversion will require low emission natural gas burners, gas leak detection systems, new boiler combustion control systems, upgraded plant-wide control systems, updated nitrogen layup systems, rerouting of ductwork around the precipitators, and new gas supply ring headers and valves inside the power house. A new gas pressure reducing station will be designed and installed on site. Existing structures that are being replaced will either be abandoned in place or removed if necessary to facilitate installation of new equipment. The construction required to convert Lee to operate exclusively on natural gas will not significantly impact the current plant site. Numerous pieces of equipment and systems will be reused.

The Office of Regulatory Staff ("ORS") has reviewed Duke's request and has filed comments. ORS has no objection to the designation of the planned conversion and

repowering of Lee Unit 3 as a "replacement of an existing facility with a like facility" not requiring the issuance of a certificate.

Accordingly, we grant the requested relief. No new certification is required, as the planned conversion and repowering of Lee Unit 3 is a "replacement of an existing facility with a like facility."

This Order shall remain in full force and effect until further order of the Commission.

BY ORDER OF THE COMMISSION:

G. O'Neal Hamilton, Chairman

ATTEST:

Nikiya Hall, Vice Chairman

(SEAL)